

REPORT OF EXAMINATION  
OF THE  
ROONEY LIFE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2003

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San Francisco, California  
April 30, 2004

Honorable John Garamendi  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ROONEY LIFE INSURANCE COMPANY

(hereinafter also referred to as the Company) at its home office located at 7440 Woodland Drive, Indianapolis, Indiana 46278. The Company's statutory home office is in Vacaville, California.

SCOPE OF EXAMINATION

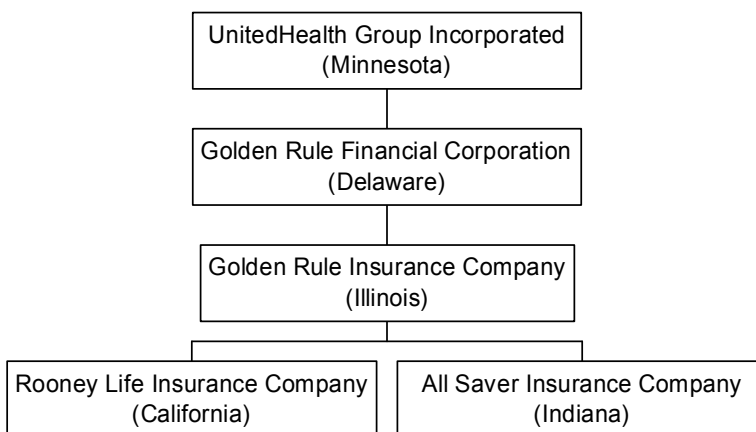
The previous examination of the Company was made as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. The present examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions, an evaluation of assets, and a determination of liabilities as of December 31, 2003, as deemed necessary under the circumstances.

In addition to the items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas which require no further comments: company history; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; mortality experience; accounts and records; and sales and advertising.

## MANAGEMENT AND CONTROL

UnitedHealth Group Incorporated, which is the ultimate controlling entity, acquired the Company on November 13, 2003 through the acquisition of the capital stock of the Company's former controlling entity, Golden Rule Financial Corporation. The California Department of Insurance, by letter dated December 4, 2003, approved the change in control of the Company as of December 1, 2003. Management stated that it continues to seek a buyer for the Company and will continue to provide the California Department of Insurance with updates regarding any proposed acquisition or other disposition of the Company.

The chart below depicts the interrelationship of some of the companies within the holding company system as of December 31, 2003:



(all ownership is 100%)

Management of the Company is vested in a five-member board of directors. Following are lists of directors and the principal officers of the Company as of December 31, 2003:

### Directors

#### Name and Residence

Therese A. Rooney  
Indianapolis, Indiana

#### Principal Business Affiliation

Chairwoman of the Board  
Golden Rule Financial Corporation

Name and ResidencePrincipal Business Affiliation

William A. Munsell  
Wayzata, Minnesota

Chief Administrative Officer  
UnitedHealthCare

Robert J. Sheehy  
Edina, Minnesota

Chief Executive Officer  
UnitedHealthCare

Patrick F. Carr  
Indianapolis, Indiana

Senior Vice President and Chief Financial  
Officer  
Golden Rule Financial Corporation

Michael J. McDonnell  
Hopkins, Minnesota

General Counsel  
UnitedHealthCare

Principal OfficersNameTitle

Therese A. Rooney

Chairwoman of the Board, President  
and Chief Executive Officer

Patrick F. Carr

Vice President, Secretary and  
Chief Financial Officer

Intercompany Agreements

Management and Consulting Agreement: The Company has an amended management and consulting agreement with Golden Rule Insurance Company (GRIC), its parent. Under this agreement, GRIC performs certain management and consulting services, administrative services, actuarial services, and accounting services in connection with the Company's life insurance business. The Company pays GRIC an amount equal to GRIC's expenses incurred to provide such services. The California Department of Insurance approved this amended agreement on March 27, 2003.

Coordination and Consulting Agreement: The Company has an amended coordination and consulting agreement regarding investment advisory services with GRIC. Under this agreement, GRIC provides the Company administrative support and coordination of investment advisory

services received by the Company from a third party investment advisor. The Company pays GRIC in an amount equal to GRIC's actual expenses related to performance of these services. The California Department of Insurance approved this amended agreement on April 3, 2003.

Tax Allocation Agreement: The Company has an amended tax allocation agreement with Golden Rule Financial Corporation (GRFC) and its subsidiaries. Under the agreement, GRFC files a consolidated federal income tax return on behalf of itself and the Company and the other affiliates in the group. The Company is not responsible for the tax payment in excess of what it would have paid if it had filed on a separate tax return basis.

### CORPORATE RECORDS

The receipt of the Report of Examination as of December 31, 2000 was not entered in the board minutes as required by California Insurance Code (CIC) Section 735. This was brought to the Company's attention during the examination for corrective action. The Company complied with CIC Section 735 on February 25, 2004.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact life and disability insurance in the states of California and Illinois. However, the Company has not written any business since licensed by California in 1988. It is currently inactive. All current activities in the Company are related to investments.

### REINSURANCE

The Company has no assumed or ceded reinsurance.

## FINANCIAL STATEMENTS

The financial statements prepared for this report include the following:

Statement of Financial Condition as of December 31, 2003

Summary of Operations and Capital and Surplus Account for the Year Ended  
December 31, 2003

Reconciliation of Capital and Surplus from December 31, 2000 through December 31,  
2003

Statement of Financial Condition  
as of December 31, 2003

	<u>Ledger and Nonledger Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
<u>Assets</u>			
Bonds	\$ 9,555,015	\$ 9,555,015	
Preferred stocks	46,488	46,488	
Cash and short-term investments	258,792	258,792	
Investment income due and accrued	<u>150,717</u>	<u>150,717</u>	
Total assets	<u>\$10,011,012</u>	<u>\$10,011,012</u>	
 <u>Liabilities, Surplus and Other Funds</u>			
Interest maintenance reserve		\$ 180,148	
General expenses due or accrued		3,600	
Current federal and foreign income taxes		70,000	
Asset valuation reserve		43,876	
Payable to parent, subsidiaries and affiliates		<u>1,123</u>	
Total liabilities		298,747	
Common capital stock	\$ 2,520,000		
Gross paid-in and contributed surplus	2,657,840		
Unassigned funds (surplus)	<u>4,534,425</u>		
Capital and surplus		<u>9,712,265</u>	
Total liabilities, surplus and other funds		<u>\$10,011,012</u>	



Summary of Operations and Capital and Surplus Account  
for the Year Ended December 31, 2003

Statement of Income

Premiums and annuity considerations	\$ 0
Net investment income	528,848
Amortization of interest maintenance reserve	<u>28,978</u>
Total	<u>557,826</u>
General insurance expenses	32,526
Insurance taxes, licenses and fees, excluding federal income taxes	<u>11,516</u>
Total	<u>44,042</u>
Net gain from operations before federal income taxes	513,784
Federal income taxes incurred	<u>170,621</u>
Net income	<u>\$ 343,163</u>

Capital and Surplus Account

Capital and surplus, December 31, 2002	\$ 9,374,547
Net income	\$ 343,163
Change in asset valuation reserve	<u>(5,445)</u>
Net change in capital and surplus for the year	<u>337,718</u>
Capital and surplus, December 31, 2003	<u>\$ 9,712,265</u>

Reconciliation of Capital and Surplus  
from December 31, 2000 through December 31, 2003

Capital and surplus December 31, 2000, per Examination			\$ 8,705,538
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 1,014,730	\$	
Change in asset valuation reserve	<u>                    </u>	<u>8,003</u>	
Total gains and losses in surplus	<u>\$ 1,014,730</u>	<u>\$ 8,003</u>	
Increase in capital and surplus			<u>1,006,727</u>
Capital and surplus December 31, 2003, per Examination			<u>\$ 9,712,265</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None

Prior Report of Examination

None

### ACKNOWLEDGEMENT

The cooperation and assistance extended by the officers of the Company and the employees of its affiliated company is acknowledged.

Respectfully submitted,

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Mario Adoc, CFE  
Examiner-In-Charge  
Senior Insurance Examiner  
Department of Insurance  
State of California